ACQUISITION BASEBALL: From the Defense Contract Management Agency (DCMA) Perspective

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DAU Symposium

April 2015

Agenda

- Purpose of Briefing
- DCMA History
- Contributions to Better Buying Power
- Opportunities for Engagement
  - Pre-Award
  - Post-Award
- Summary
- Discussion

Acquisition Baseball: DCMA's Perspective

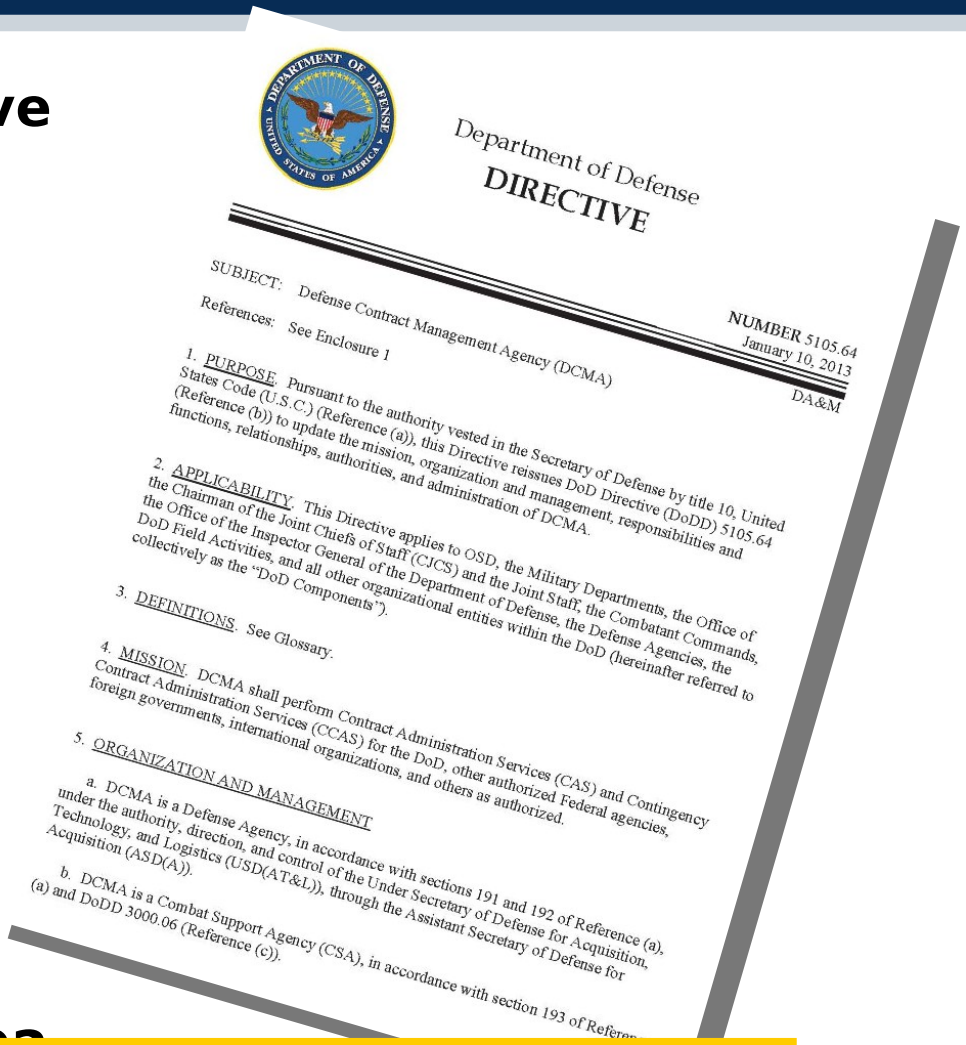
- ***Purpose of the Brief:***
  - **Identify areas where the acquisition community and DCMA can partner to:**
    - **Achieve more affordable programs**
    - **Reduce or streamline acquisition processes**
    - **Incentivize and influence the defense industrial base**
  - **Highlight a few of the more frequent issues we experience in contract administration**

Working together to make acquisitions more effective & efficient

Defense Contract Management Agency (DCMA)

DEFENSE CONTRACT MANAGEMENT AGENCY

- **Chartered per DOD Directive 5105.64. Established in 2000.**
- **Aligns DCMA under the authority, direction, and control of USD(AT&L), through the Assistant Secretary of Defense for Acquisition.**
- **"Perform Contract Administrative Services (CAS) functions in ac**



Department of Defense
DIRECTIVE

NUMBER 5105.64
January 10, 2013
DA&M

SUBJECT: Defense Contract Management Agency (DCMA)

References: See Enclosure 1

1. PURPOSE. Pursuant to the authority vested in the Secretary of Defense by title 10, United States Code (U.S.C.) (Reference (a)), this Directive reissues DoD Directive (DoDD) 5105.64 (Reference (b)) to update the mission, organization and management, responsibilities and functions, relationships, authorities, and administration of DCMA.

2. APPLICABILITY. This Directive applies to OSD, the Military Departments, the Office of the Chairman of the Joint Chiefs of Staff (CJCS) and the Joint Staff, the Combatant Commands, the Office of the Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all other organizational entities within the DoD (hereinafter referred to collectively as the "DoD Components").

3. DEFINITIONS. See Glossary.

4. MISSION. DCMA shall perform Contract Administration Services (CAS) and Contingency Contract Administration Services (CCAS) for the DoD, other authorized Federal agencies, foreign governments, international organizations, and others as authorized.

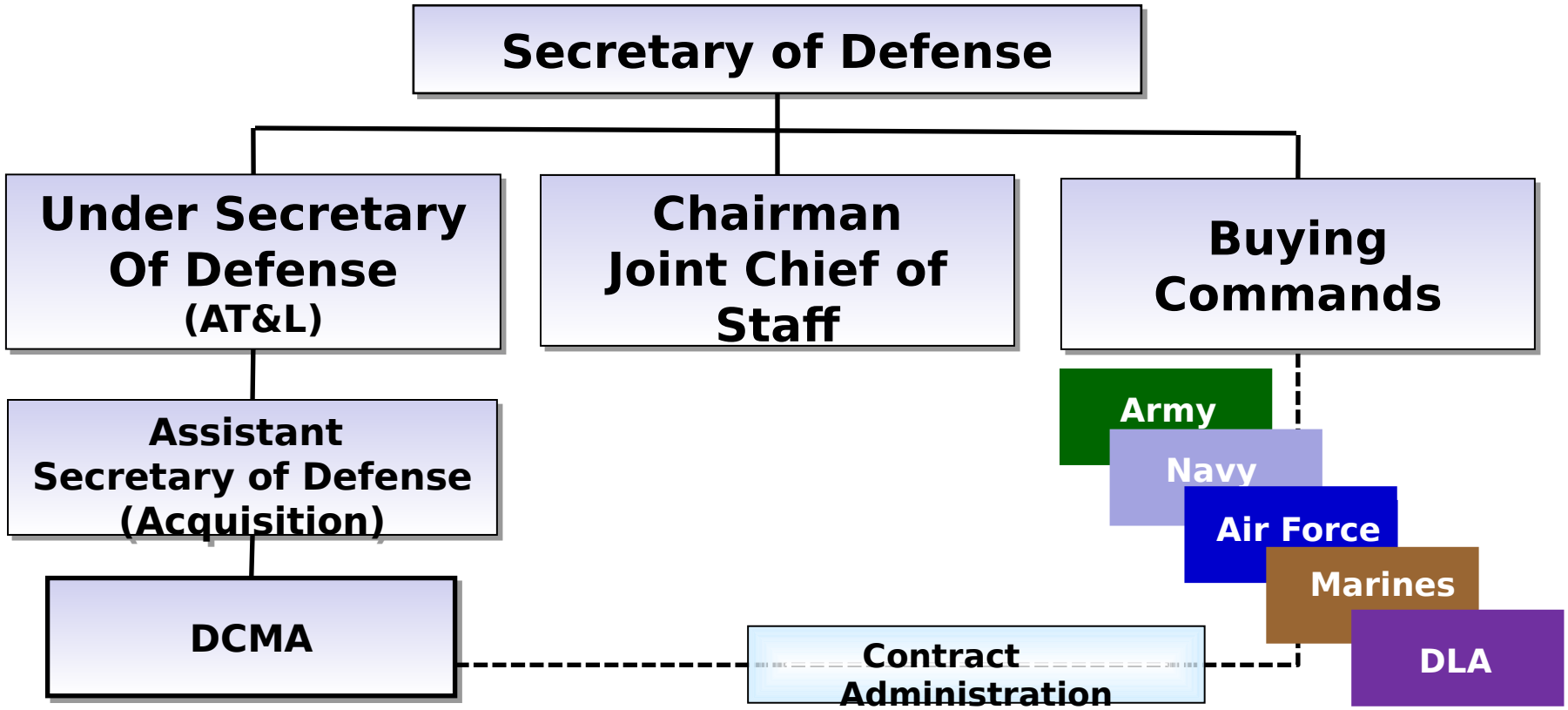
5. ORGANIZATION AND MANAGEMENT

a. DCMA is a Defense Agency, in accordance with sections 191 and 192 of Reference (a), under the authority, direction, and control of the Under Secretary of Defense for Acquisition, Technology, and Logistics (USD(AT&L)), through the Assistant Secretary of Defense for Acquisition (ASD(A)).

b. DCMA is a Combat Support Agency (CSA), in accordance with section 193 of Reference (a) and DoDD 3000.06 (Reference (c)).

We are the independent eyes and ears of DoD and its partners, delivering actionable acquisition insight from the factory floor to the front line…around the world.

DCMA's Mission Related to DoD



Historical Perspective – Service PROs/DCAS to DLA (1990) to DCMA (2000)

On the Acquisition Team: DCMA Worldwide Workforce

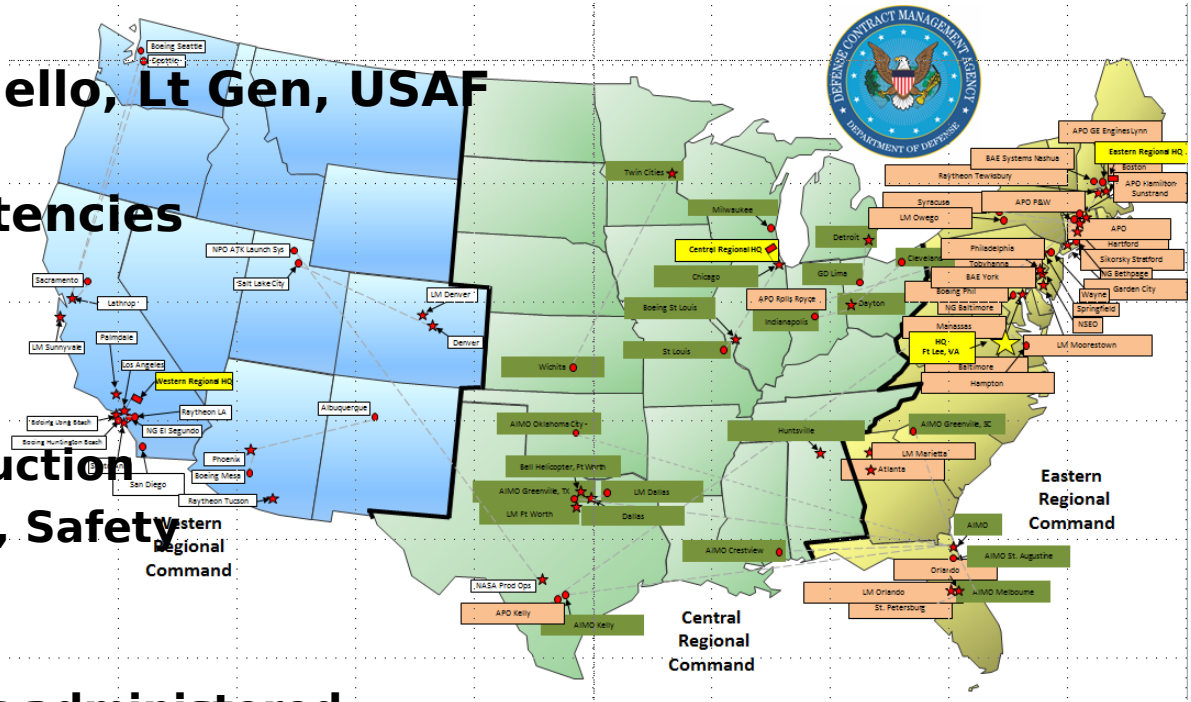
DEFENSE CONTRACT MANAGEMENT AGENCY

- **47 primary Contract Management Offices (CMOs) around the world**
  - **Nearly 12,000 strong, combining civilian and military acquisition professionals**

- **Director: Wendy M. Masiello, Lt Gen, USAF**

- **Multi-functional Competencies**
  - **Contracting**
  - **Quality Assurance**
  - **Engineering**
  - **Manufacturing and Production**
  - **Property, Transportation, Safety**

- **Workload scope**
  - **Nearly 350,000 contracts administered**
  - **Over $223B in unliquidated obligations**
  - **Over 20,000 contractor facilities**
  - **$455M authorized payments everyday**

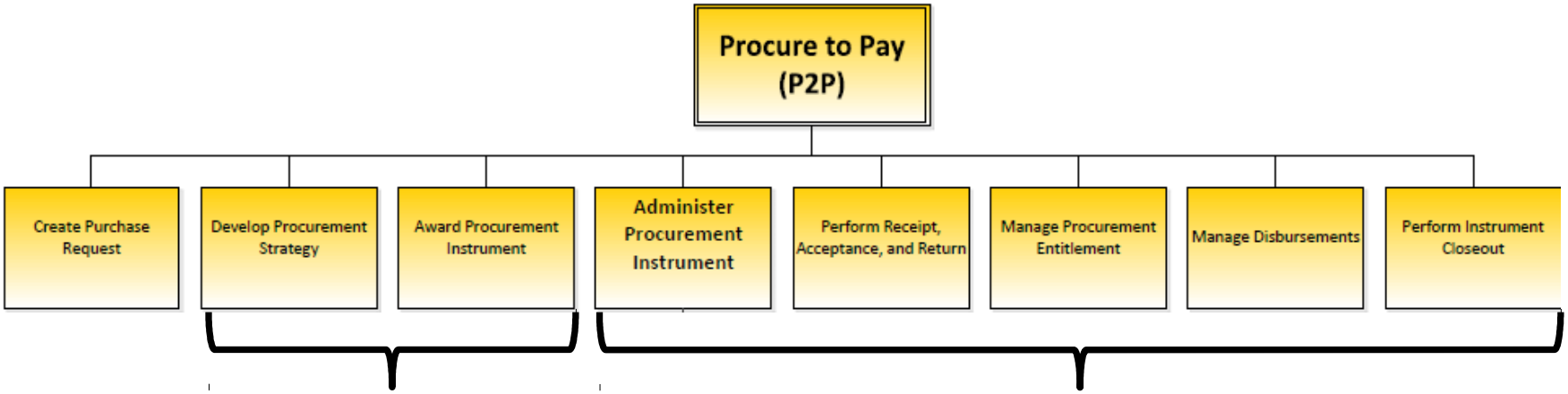


Contributions to Better Buying Power

- ***DCMA as your teammate can h… you most to:***
  - **Achieve Affordable Programs**
  - **Achieve Dominant capabilities while controlling lifecycle costs**
  - **Incentivize productivity and innovation in industry and government**
  - **Incentivize innovation in industry and government**
  - **Eliminate unproductive processes and bureaucracy**
  - **Promote effective competition**
  - **Improve tradecraft in the acquisition of services**
  - **Improve professionalism of the total acquisition work…**

One team, one voice delivering global acquisition insight that matters.

DCMA Engagement Opportunities Across the Acquisition Lifecycle



Pre-Award Phases

- Pre-Award Survey
- Pricing & Negotiation
- Specialized Insight
- Commercial Item Determination Support
- Contract Structure

Post-Award Phases

- Surveillance Planning
- Contract Mods
- Product Acceptance
- Product Returns
- Payment Authorizations
- Contract Closeout

- Rate Negotiations (FPRR/FPRA)
- Business Systems Evaluations (Purchasing/Property/EV/Quality*)
- Audit Resolutions

DCMA: Your invaluable acquisition utility player!

** Not a CBAR business system*

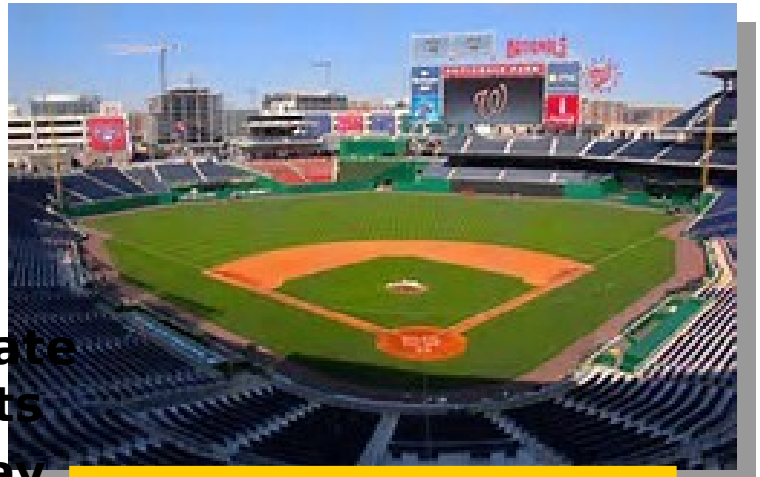
Pre-Award Assistanc

- **Pre-Award Survey (PAS)**
- **Pricing & Negotiation**
- **Other Areas of Pre-Award Insight**
  - **Commercial item determination support**
  - **Contract structures**
  - **Specialized requirements**

Your bench coach can give you a leg up!

Pre-Award Surveys

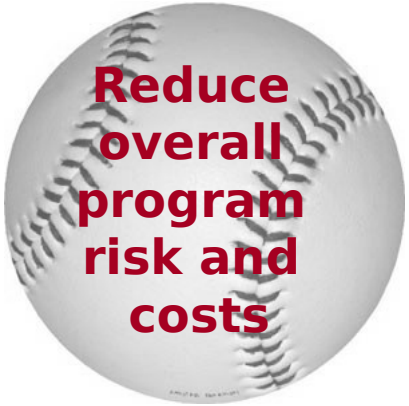
- **DCMA's unique in-plant perspectives lend keen insights into acquisition strategy and/or RFP development**
- **Pre-Award surveys provide:**
  - **Assessment of a perspective contractor's capabilities as they relate to specific government procurements**
  - **Formal Pre-award Survey factors may include but not limited to Production, Technical, Quality, and Financial**
  - **Depth of Factors to be surveyed vary depending on scope and complexity**



Play your game in the right ballpark!

How Pre-Award Surveys Provide Insight

- **Aircraft modification and repair contracts awarded without pre-award surveys being performed:**
  - **Hangars/Facilities and Aircraft Rescue and Firefighting (ARFF) capabilities may be inadequate to protect government aircraft**
  - **Early identification of contractor capabilities would root out contractors with inadequate hangars/facilities and ARFF capabilities and identify contractors with hangars/facilities and ARFF capabilities for protecting government**



Get your aircraft overhaul safely "home"!

Pre-Award – Pricing and Negotiation

- **Leverage DCMA's Cost & Pricing capability – over 6k requests for pricing assistances fulfilled in FY14 alone**
  - **In plant insight – contractor costs models**
  - **Business base concerns**
  - **FPRRs / FPRAs**
  - **Supply Chain / Financial views**
  - **Negotiation support – including technical su**
  - **"Should cost" reviews**
  - **Integrated Cost Analysis Teams (ICAT) at 10 major contractor locations and surge abili ugh DCMA's Cost & Pricing Center**

Don't pay $35 for a Hotdog!!

Other Areas of Pre-Award Insight

- **Commercial item determination support**
- **Contract structure**
  - **CLIN Structure**
    - **Facilitates timely delivery and acceptance**
  - **Incentives structures**
    - **Performance Based Payment events, criteria and value**
- **Packaging and marking requirements**
- **Transportation requirements**

Use your DoD "Scout" for specialized insight

Pre-Award Contract Structure – Opportunities for Improvement

- **Over 19,500 CDRs issued in 2014**
  - **Payment Instructions missing or unclear**
  - **Inspection/Acceptance unclear**
  - **CLIN quantities**
  - **Typos**
  - **Discrepancies in different parts of the contract**
  - **Line Item structure errors (CLIN & Sub-CLINs)**
  - **Delivery date predates contract/MOD award date**
  - **MOD doesn't take into consideration prior MOD actions**
  - **Unit of measure LUMP SUM or DOLLARS**
  - **Invalid long line of accounting**
  - **Non-applicable clauses**

Post-Award Assistance
Getting What We Contracted f

- Surveillance Planning
- Contract Mods
- Product Acceptance
- Product Returns
- Payment Authorizations
- Contract Closeout

"Oh, for Pete's sake. This ain't nuclear science, gentlemen. I'll read it one more time, but pay attention ... 'The infield fly rule is in effect if there is less than two outs and runners on first and second ...'"

Once the game is under way the umpire helps keep it in order.

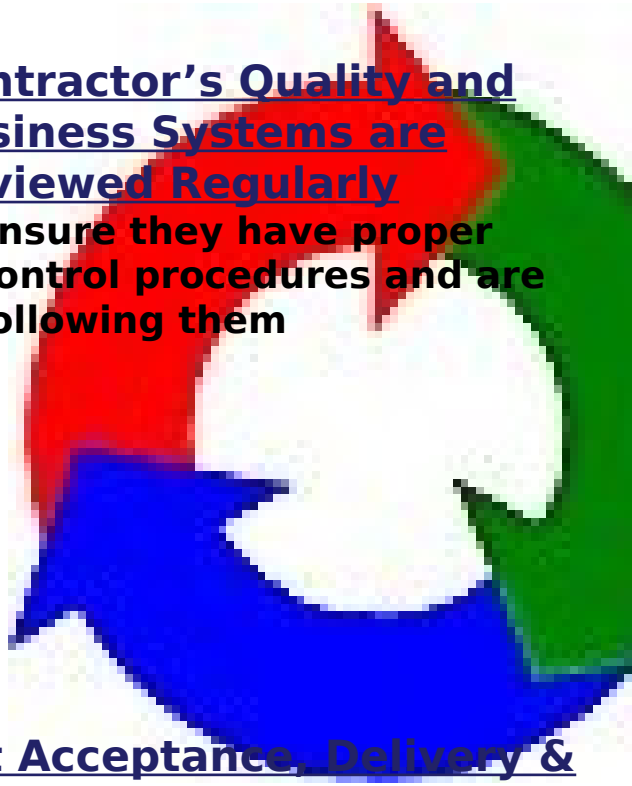
Contract Surveillance & Administration Lifecycle

Surveillance Plan is Developed for Every Contract

- Technical validation
- Material / Subcontractors CSP
- Critical items / higher level quality
- Packaging Requirements
- Sample Size to inspect, etc.
- EV as required by contract

Contractor's Quality and Business Systems are Reviewed Regularly

- Ensure they have proper control procedures and are following them



Payments, Mods and Closeout

- Payment Authorization
- Contract Mods
  - UCAs
- Closeout

Product Acceptance, Delivery & Return

- Delivery Schedule Surveillance
- Source or destination acceptance
- MRB / NCM
- FAT
- Product Returns

Post-Award Woes – Late Delivery

DEFENSE CONTRACT MANAGEMENT AGENCY

Contractor Caused Delays

27% - Management
- Unrealistic Schedule
- Supplier / Purchasing issues

24% - Production
- Production Planning, Shop Overloa
- Tooling/ Machinery breakdown

8 % - Acquisition
- Data / Admin Errors

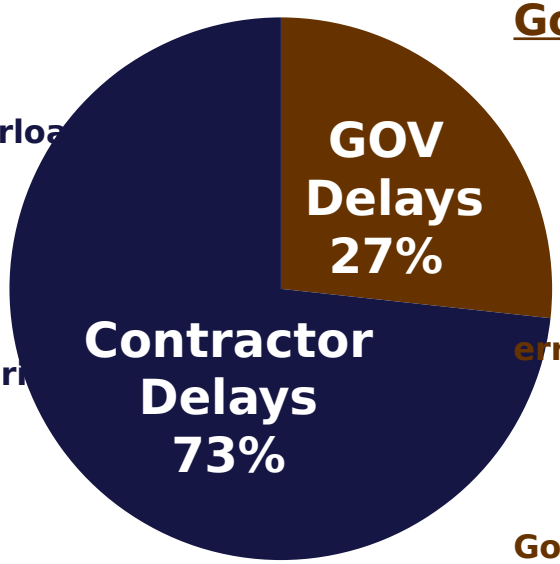
4% - Technical – Design/Engineeri
- Problems, Interface problems

3 % First Article Not Ready

1% - Contracts
- Misinterpreted requirements

1% - GFM/GFE
- Not Requested in time
- Lost, damaged, destroyed

5% - Other
- Security issues, documentation issues



Government Caused Delays

9% - Contracts
- Mods in process or not received
- Contract requiring definitization

6% - Acquisition
- Data input or system generated errors

5% - Technical - ECPs pending

5% - GFM/GFP supplied late by Gov

1% - First Article Approval Pending

1% - Other - Security issues, Delivery Info

Percentages represent 12 month period of Delinquencies for DMCA Philadelphia

Product Returns

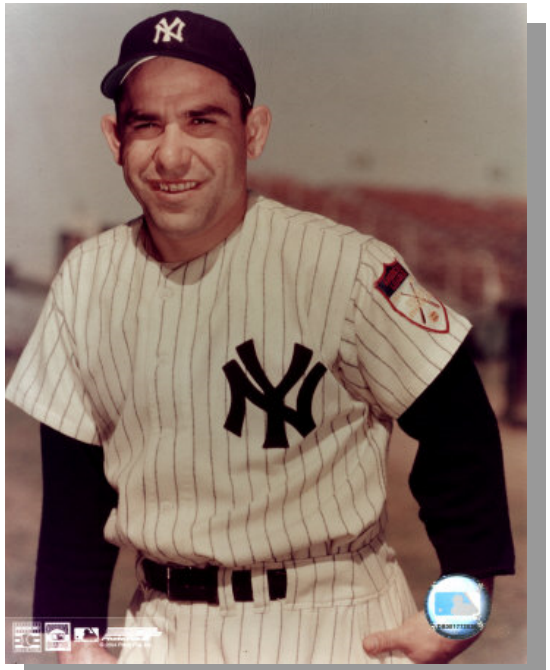
- **DCMA processed over 5k "field returns" in 2014**
- **PDREP provides notification to DCMA of a Product Quality Deficiency Reported (PQDR) by the customer upon receipt**
  - **As opposed to when the item has been in service and then fails**
- **Warranty program may be applicable**
- **Clear acceptance/rejection criteria eliminates confusion/disconnects on product quality**

Contract Mods – A Word About UCAs

- **Undefinitized Contract Actions (UCAs)**
  - **Use for urgent and compelling circumstances, not as a funding mechanism for routine actions**
  - **Confirm asset is available for repair / modification**
  - **Repetitive UCAs for same actions usually indicates and allows for fixed price agreements**
  - **Since 2012 DCMA has seen a 50% reduction of UCAs**
    - **371 overage UCAs remain as of EOY 2014**

Post Award Activity - Closeout

- **Timeliness of closeout actions involves everything having been right up until now…**
- **Frees up funding for next acquisition**
- **Provides summation performance data for next acquisition**



"It ain't over 'til its over"
Yogi Berra

Summary

- ***Opportunities for partnership abound***
- ***Taking advantage of DCMA's expertise assists in meeting the department's Better Buying Power initiatives***
- ***Your first stop to efficient and effective acquisitions is your local DCMA Contract Management Office (CMO)***

See the field better, use your local DCMA CMO!